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April 17, 2009

AGENDA ITEM 6b

TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE

- I. SUBJECT:** Revision of Policy on Global Equity Sub-Asset Class Allocation Ranges
- II. PROGRAM:** Global Equity
- III. RECOMMENDATION:** Recommend to the Investment Committee approval of the revised Statement of Investment Policy for Global Equity Sub-Asset Class Allocation Ranges shown in Attachment 1. Wilshire's opinion letter is shown in Attachment 2.

IV. ANALYSIS:

Background

At its September 10, 2007 meeting, the Investment Committee approved the Statement of Investment Policy for Global Equity Sub-Asset Class Allocation Ranges.

At its March 16, 2009 meeting, the Investment Committee approved combining the ranges for the Manager Development Program (MDP) and Emerging Manager Fund of Funds (EMFF) into one policy range for emerging managers. The new combined policy range for the two emerging manager programs is 1 percent to 5 percent. The Investment Committee also approved increasing the range for equity based environmental strategies to 0 percent to 2 percent, from the current 0 percent to 0.5 percent. Copies of these agenda items are shown in Attachment 3 and Attachment 4.

The proposed revised policy conforms to these approved changes. It is presented as a black-lined version from the last adopted version by

the Investment Committee. The black-line uses strike-out to indicate deletions and double underline to indicate additions. Single underline does not indicate a change; rather, it indicates that the term is defined in the glossary.

Section V. Sub-Asset Class Allocations

The Global Equity Sub-Asset Class table has been updated to reflect the combined range for emerging managers, inclusive of both MDP and EMFF.

Section V.A. Sub-Asset Class Categories

The reference to the Manager Development Program (MDP) has been amended to reflect the change to a combined allocation range for both emerging manager programs (MDP & EMFF). Additionally, language was added to include equity based environmental strategies.

Section V.B.2 Sub-Asset Class Categories – Active/Enhanced

This section was updated to include the reference to equity based environmental strategies as a subsection of the “Active/Enhanced” sub-asset class and to specify the maximum approved allocation of two percent.

Section V.B.3 Sub-Asset Class Categories - Alternatives

The reference to the Manager Development Program (MDP) has been amended to reflect the change to a combined allocation range for both emerging manager programs (MDP & EMFF). The reference to MDP in the Global Equity Alternatives Allocation table was also amended to incorporate both emerging manager programs. Although the policy ranges for the two programs have been merged into one allocation, the allocation range to the emerging manager program remains at one percent to five percent, and therefore has not been altered in the policy.

V. STRATEGIC PLANS:

This item supports Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions and Goal IX: achieve long-term, sustainable, risk-adjusted returns.

VI. RESULTS/COSTS:

The results of this item will provide CalPERS with enhanced efficiencies and ability to manage the overall portfolio. The revised policy will provide a foundation for compliance, accountability, and transparency.

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